

October 17, 2011

Ms. Marlene H. Dortch, Secretary  
Federal Communications Commission  
445 12<sup>th</sup> Street, S.W.  
Washington, D.C. 20554

***Ex Parte Notice***

***In the Matter of Connect America Fund, WC Docket No. 10-90; A National Broadband Plan for Our Future, GN Docket No. 09-51; Establishing Just and Reasonable Rates for Local Exchange Carriers, WC Docket No. 07-135; High-Cost Universal Service Support, WC Docket No. 05-337; Developing a Unified Intercarrier Compensation Regime, CC Docket 01-92; Federal-State Joint Board on Universal Service, CC Docket No. 96-45; Lifeline and Link-Up, WC Docket No. 03-109***

Dear Ms. Dortch:

On Friday, October 14, 2011, Shirley Bloomfield, Chief Executive Officer of the National Telecommunications Cooperative Association (“NTCA”), had a conference call with Zachary Katz, Chief Counsel and Senior Legal Advisor for Chairman Julius Genachowski, to discuss matters related to the above-referenced proceedings.

During the call, NTCA discussed potential avenues and proposals for reform of existing universal service fund (“USF”) and intercarrier compensation (“ICC”) mechanisms through adoption of an order in the above-referenced proceedings. In particular, NTCA discussed adoption and implementation of USF and ICC reforms consistent with the plan filed on April 18, 2011, as updated by the “Consensus Framework” joint letter submitted on July 29, 2011 (the “RLEC Plan”). See Comments of NTCA, *et al.* (filed April 18, 2011), at 7-36, 61-74, and Appendices A and C; *Ex Parte* Letter from US Telecom (filed July 29, 2011).

NTCA expressed concern on behalf of its members with the potential adoption of only near-term reforms – largely in the form of new constraints to legacy USF mechanisms – without the complementary adoption of a longer-term vision for promoting broadband-capable investment through a new Connect America Fund (“CAF”) for rate-of-return-regulated incumbent local exchange carriers (“RLECs”). The RLEC Plan is designed to offer incentives for responsible and effective deployment and maintenance of broadband-capable networks in the near-term, while also defining the ultimate transition from legacy mechanisms to a new CAF over time. Without such comprehensive reform, NTCA’s rural company members are concerned that there will be no clear vision or roadmap for how the Federal Communications Commission (the “Commission”) intends to support broadband in RLEC areas. NTCA urged the Commission to adopt a holistic perspective to reform that includes a comprehensive near-term and long-term

review of how rate-of-return mechanisms should operate in a broadband-focused support environment.

NTCA's members also object to the adoption of any near-term rule that would cap reimbursable capital expenditures or operating expenses without full consideration of such a rule in all respects by the Commission itself. It is unclear what form such caps might take and how they might apply to any given carrier, precisely because they have yet to be developed. Given the substantial and severe impact that such a rule could have on USF/CAF support distribution going forward, such a decision requires the review of the full Commission, rather than leaving development and implementation of the details of such an essential component of USF reform solely to Commission staff. Any such rule should be published for comment and then adopted by the full Commission before taking effect.

NTCA likewise opposes the adoption of any rule that would disqualify an area for support based upon the presence of an unsubsidized competitor without further notice and comment. In addition to the fact that the record does not support the adoption of such a rule at this time, at a minimum, there is certainly no basis to consider a mobile broadband and voice provider as an "unsubsidized competitor" for purposes of disqualifying support to a carrier providing fixed broadband and voice service – or vice versa. The record reflects that these services are complementary in nature, rather than serving as substitutes for one another.

Finally, NTCA expressed concerns with the adoption of any local voice service benchmark for purposes of ICC restructuring higher than the \$25 benchmark set forth in the RLEC Plan and the adoption of subscriber line-like charges for access recovery on NTCA's members' multiline business customers. With respect to the benchmark, NTCA explained that the proposed \$25 level represents a reasonable compromise between "early adopter" states and those that have yet to undertake or complete intrastate ICC reform. With respect to subscriber line charges, NTCA noted that RLECs typically already assess the full extent of such charges on customers, and that adding several dollars more to bills would have a dramatic adverse impact on consumers.

Pursuant to Section 1.1206 of the Commission's rules, a copy of this letter is being filed via ECFS with your office. If you have any questions, please do not hesitate to contact the undersigned at (703) 351-2016 or mromano@ntca.org.

Sincerely,

/s/ Michael R. Romano  
Michael R. Romano  
Senior Vice President - Policy

cc: Zachary Katz